

**Bob Nelson**  
**3624 Robinson Mews, San Diego, Calif. 92103**

January 2, 2010

Mr. Vince Mudd, Chair  
Civic Leadership Team Citizens' Fiscal Sustainability Task Force  
3706 Ruffin Road  
San Diego, CA 92123-1812

Dear Vince:

Thank you for providing a copy of your group's *Report Highlighting Challenges & Opportunities*. Your organization has gathered an impressive pool of senior talent, and your work product reflects the intense effort you have undertaken to shed light on the City's financial outlook.

I encourage anyone who is truly interested in solving – not deferring – the City's financial woes to read your report. Based on your study and that of the City's Independent Budget Analyst, there seems little room to doubt that San Diego faces a structural -- not an occasional – budget deficit. As your report suggests, structural problems need structural solutions.

We have also obtained the 2005 *Bottom Line* Report from CPI cited in your report and distributed it to members of the Citizens Revenue Review and Economic Competitiveness Commission (CRRECC). While it has very interesting information, the data is somewhat stale. It's principal author, Dr. Baxamusa, advises me that he is obtaining more current revenue data from the Office of the State Controller; when that becomes available, we will forward it to you.

Several items in your report are especially illuminating and directly relevant to the mission of the CRRECC, as defined in the City Council's enabling Resolution.

Comments in your report particularly relevant to our Commission's mission include "*Recommended Course of Action, 9. The City should immediately implement a plan to promote business expansion and growth in the City of San Diego*" and the final two points in "*The City's Fiscal History*," to wit:

- "*The City raises the least General Fund Revenues per household, measured as a percentage of household income, of any of the ten largest cities in California.*"
- "*The City provides some services selectively to certain residents with no cost recovery to the General Fund while charging other residents and businesses for the same service. Examples include: Residential Trash Collection - Storm Water Compliance.*"

CRRECC will seek to quantify and validate information presented to us. To this end, we will be asking others for comments on your report, CPI's, and that of others as they come to our attention.

Meanwhile I have attached a few questions that occurred to me while reading your report; answers to and amplification on these topics could be very helpful. If it is convenient for you to forward copies of any underlying data or reports, that would be extremely useful, as well. I am also circulating this letter to my colleagues on the Commission and urging that they submit any additional questions to our Commission staff to collate and transmit to you.

I have read varied news reports about the Civic Leadership Team but I do not have a clear understanding of your overall mission and membership. How can CRRECC learn more about your organization, its members, meeting schedules, etc. so we can keep current with – and perhaps collaborate with – your broader organization from time to time?

Vince, on a personal note, thank you for all the efforts you put into improving our community. Your energy, intelligence, focus, and compassion are a rare combination, and San Diego is a better place for it.

Sincerely,

A handwritten signature in blue ink that reads "Bob Nelson". The signature is fluid and cursive, with the first name "Bob" and last name "Nelson" clearly distinguishable.

Bob Nelson

Chair, CRRECC

cc: Citizens Revenue Review and Economic Competitiveness Commissioners  
Hon. Tony Young, Chair, City of San Diego Budget and Finance Committee  
Hon. Kevin Faulconer, Member, City of San Diego Budget and Finance Committee  
Hon. Todd Gloria, Member City of San Diego Budget and Finance Committee  
Hon. Marti Emerald, Member, City of San Diego Budget and Finance Committee  
Hon. Carl DeMaio, Member, City of San Diego Budget and Finance Committee  
Andrea Tevlin, Independent Budget Analyst, City of San Diego  
Wally Hill, Assistant Chief Operating Officer, City of San Diego  
Paul Prather, Deputy City Attorney  
Breanna Zwart, Commission Consultant

Questions from Bob Nelson for Vince Mudd, Chairman,  
Citizen's Fiscal Sustainability Task Force of the Civic Leadership Team

- **Task Force Observations** *"... even though the number of City employees seems in line with comparable cities, the City's unit cost of labor is extremely high."*
  - What is the ratio of City of San Diego employees per capita compared to other cities in your data set? Which cities compose the comparison?
  - What is the unit cost of labor in San Diego and in the comparable data set?
  - What is the source data for the above information?
- Ibid, *"... the forced toleration of underperforming employees is a serious morale problem, which over time impacts overall efficiency."*
  - What is the source data for the factual statement and the conclusion?
- **Recommended Course of Action**, *"1. The Mayor and Council must have the political will to declare a Fiscal State of Emergency..."*
  - I am confident your group considered the potential impacts of such a Fiscal Emergency declaration on home and business values and marketing of the city as a vacation and convention destination, so such a Declaration presumably has specific beneficial consequences that would offset any detriments. Please explain the legal implications of such a Declaration under the City charter, ordinances, or policies or federal or state government statutes or regulations as it relates to the City of San Diego, if any, and the positive consequences of such implications.
- Ibid, *"2. Immediately eliminate the current 800 vacant positions from the budget."*
  - Has the Council's recent adoption of the revised FY 2010 and conceptual approval of the 2011 budget accomplished this recommendation? If not, to what extent does this remain incomplete?
- Ibid, *"8 The City should adopt the concept of a "Poison Pill"<sup>4</sup> to enforce a new fiscal management process... <sup>4</sup>... plan would automatically include an across the board cut of services plus an automatic fee hike."*
  - Please explain how the concept of an "automatic fee hike" could be accomplished given the limitations of voter-adopted provisions of the California constitution, as well as the City Charter and ordinances.
- Ibid, *"9. The City should immediately implement a plan to promote business expansion and growth in the City of San Diego"*
  - Please provide any reports, testimony or other information that you considered in reaching this conclusion to the extent such might enlighten or instruct CRRECC as we pursue our mission in this regard.
- Ibid, *"10. The City should establish a fact-based dialogue with citizens..."*

- This concept is inherent to CRRECC's scope of work. We will sincerely appreciate any thoughts you or your colleagues have on how we can best accomplish our part in this important activity.
- Ibid, *"11. If the City Council is unable to make the required structural cuts that will balance the FY2011 budget without accounting deferrals and gimmicks, a "Citizen's Initiative" should be placed on the ballot that forces a permanent reduction of City staff by at least 1,500 people...."*
  - Is this 1,500 FTE in addition to the previously recommended 800 positions? Based on the recently adopted "18 month budget" please summarize/clarify how many additional positions should now be cut through an initiative election if the Council and Mayor cannot or will not make the "structural cuts" to which you refer.
  - With respect to the FTE cuts you propose to mandate by voter initiative in the absence of prior government action to reduce spending, what departments of city government do you envision cutting, and to what extent will that impact service levels in these various departments?
- Ibid, *"12. Once permanent fiscal disciplines have been implemented and exhausted, the City should seek voter approval to create new fees and/or taxes to support delivery of the remaining services that the citizens deem to be essential core services; for example Storm Water Compliance and Trash Collection."*
  - What is the basis for the recommendation that all the "fiscal disciplines" must be "implemented and exhausted" before pursuing increased fees for storm water compliance and equal sharing among all residents for trash collection? Why can these not proceed on separate, but contemporaneous tracks? If the right thing to do is to raise these fees (which I am not presupposing) then why would we not do the right thing now while simultaneously seeking to cut expenses?
- ***"Revenue Generating Suggestions.. By listing the items, the task force is not specifically endorsing the revenue concept or expressing any preference. 1. The following potential revenue sources should be looked into: Transient Occupancy Tax (TOT); Storm Water Compliance fees; Real estate transfer tax; Business license fee; Refuse collection fee; Utility users' taxes; Parking meters; Fire protection zones."***
  - I will propose to my colleagues that we use your list as a starting point for our review of revenue possibilities. Please provide copies of any documents, studies, reports, testimony, etc. that might be useful to CRRECC in our consideration of these possible sources. We have limited staff resources and any way you can help us not "reinvent the wheel" would be much appreciated.